

**CEDAR CREEK TOWNSHIP, WEXFORD COUNTY**

**MANTON, MICHIGAN**

**MARCH 31, 2008**

***Baird, Cotter and Bishop, P.C.***

**CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

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CEDAR CREEK TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

MARCH 31, 2008

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# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
www.bcbcpa.com

June 13, 2008

### INDEPENDENT AUDITORS' REPORT

To the Township Board  
Cedar Creek Township  
Wexford County  
Manton, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cedar Creek Township, Wexford County, Manton, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cedar Creek Township, Wexford County, Manton, Michigan as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through ix and budgetary comparison information on page 18 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cedar Creek Township, Wexford County, Manton, Michigan's basic financial statements. The individual fund statements and other supplementary information are presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

CEDAR CREEK TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Cedar Creek Township, a general law township located in Wexford County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Cedar Creek Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2008.

**Financial Highlights**

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$863,101. Of this amount, \$402,620 may be used to meet the Township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$579,550.
- ◆ The Township is not obligated under any long-term debt as of March 31, 2008.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government and administration, public safety, public works, and other functions. The Township does not have any business-type activities.

CEDAR CREEK TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

**Fund Financial Statements**

***Governmental Funds*** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statement the governmental fund statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information**

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

**Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township were \$863,101 at March 31, 2008, meaning the Township's assets were greater than its liabilities by this amount.

CEDAR CREEK TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

**Cedar Creek Township**  
**Net Assets as of March 31, 2008**

	<b>Governmental Activities</b>
<b>Assets</b>	
Current Assets	\$ 582,017
Non Current Assets	
Capital Assets	487,752
Less: Accumulated Depreciation	<u>204,201</u>
Total Non Current Assets	<u>283,551</u>
<b>Total Assets</b>	<u><u>\$ 865,568</u></u>
<b>Liabilities</b>	
Current Liabilities	<u>\$ 2,467</u>
<b>Net Assets</b>	
Invested in Capital Assets	283,551
Restricted for Specific Purposes	176,930
Unrestricted	<u>402,620</u>
<b>Total Net Assets</b>	<u>863,101</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 865,568</u></u>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others). The Township is not responsible for any long-term debt as of March 31, 2008. Other liabilities are minimal as of March 31, 2008.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole.

The following table illustrates and summarizes the results of the change in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

CEDAR CREEK TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

**Cedar Creek Township**  
**Change in Net Assets**  
**for the Fiscal Year Ended March 31, 2008**

	<b><u>Governmental Activities</u></b>
<b><u>Revenues</u></b>	
<b>Program Revenues</b>	
Charges for Services	\$ 13,808
<b>General Revenues</b>	
Taxes	51,754
State Grants	104,529
Interest Earnings	15,906
Contributions from Local Units	40,779
Other	<u>12,471</u>
<b>Total Revenues</b>	<u>239,247</u>
<b><u>Expenses</u></b>	
Legislative	18,683
General Government	100,902
Public Safety	24,474
Public Works	39,623
Community and Economic Development	9,025
Other Functions	<u>16,830</u>
<b>Total Expenses</b>	<u>209,537</u>
Change in Net Assets	29,710
<b><u>NET ASSETS</u></b> - Beginning of Year	<u>833,391</u>
<b><u>NET ASSETS</u></b> - End of Year	<u><u>\$ 863,101</u></u>



CEDAR CREEK TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

**Governmental Activities**

During the fiscal year ended March 31, 2008, the Township's net assets increased by \$29,710 in the governmental funds. GASB 34 requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

A significant portion of the revenue for all governmental activities of Cedar Creek Township comes from Taxes and state shared revenues. The Township levied 0.8377 mills for operating purposes.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax.

The Township's governmental activities expenses are dominated by general governmental expenses.

**Financial Analysis of the Government's Funds**

***Governmental Funds*** The focus of Cedar Creek Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Cedar Creek Township's governmental funds reported combined ending fund balances of \$579,550. Approximately \$402,620 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for public health, safety and welfare must be used for expenditures that relate to public health, safety and welfare.

**General Fund** – The General Fund increased its fund balance by \$36,760 which brings the fund balance to \$406,482. Of the total fund balance of \$406,482, \$3,862 is reserved. All of the General Fund's functions, ended the year with expenditures below budgeted amounts. Taxes amounted to \$51,754. State grants were collected in the amount of \$104,529.

**Impact Fee Fund** – The Impact Fee Fund increased its fund balance by \$34,709 which brings the fund balance to \$173,068. This balance is reserved and must be used for public health, safety and welfare.

**Capital Assets and Debt Administration**

**Capital Assets.** The Township's investment in capital assets for governmental and business-type activities as of March 31, 2008, amounted to \$283,551 net of accumulated depreciation.

CEDAR CREEK TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Capital assets summarized below include any items purchased with a cost greater than \$2,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

**Cedar Creek Township**  
**Capital Assets as of March 31, 2008**

	<b>Governmental Activities</b>
Buildings	\$ 40,000
Public Domain Infrastructure	11,522
Equipment	51,421
Vehicles	384,809
	<hr/> 487,752
Less: Accumulated Depreciation	<hr/> 204,201
<b>Net Capital Assets</b>	<hr/> <hr/> \$ 283,551

**Long-Term Debt.** Cedar Creek Township has no obligation for any long-term debt as of March 31, 2008.

**Economic Condition and Outlook**

Wexford County owns a landfill within Cedar Creek Township. In recent years, groundwater contamination from the landfill impacted several properties north of the landfill. At this time, there are state approved plans in place to install a public water supply system to the impacted area. This system is expected to be complete no later than 2011. Also, waste from the older, unlined areas of the landfill, the suspected source of the contamination, is being mined out and relocated to newly lined cells.

Wexford County, as the owner of the water system, is responsible for funding the installation and continued operation and maintenance expenses. Wexford County is also responsible for all liability associated with the landfill.

With a safe public water supply system in place, properties will be protected from the threat of contamination. It is expected that the availability of a public water supply system will be a benefit to future development in the area.

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2008-09 fiscal year.

CEDAR CREEK TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Cedar Creek Township at 6670 East 14 Road, Manton, Michigan 49663.

CEDAR CREEK TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

STATEMENT OF NET ASSETS  
MARCH 31, 2008

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 528,712
Receivable	
Taxes	5,707
External Party (Fiduciary Fund)	928
Due from Other Governments	46,670
	<hr/>
Total Current Assets	582,017
	<hr/>
<u>CAPITAL ASSETS</u>	
Buildings	40,000
Public Domain Infrastructure	11,522
Equipment	51,421
Vehicles	384,809
	<hr/>
	487,752
Less Accumulated Depreciation	204,201
Net Capital Assets	283,551
	<hr/>
TOTAL ASSETS	\$ 865,568
	<hr/>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$ 1,358
Payroll Taxes and Withholdings	1,109
	<hr/>
Total Current Liabilities	2,467
	<hr/>
<u>NET ASSETS</u>	
Invested in Capital Assets	283,551
Restricted for Specific Purposes	176,930
Unrestricted	402,620
	<hr/>
TOTAL NET ASSETS	\$ 863,101
	<hr/>

The accompanying notes are an integral part of the financial statements.

CEDAR CREEK TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2008

					NET (EXPENSES)
					REVENUES
					AND CHANGE
					IN NET ASSETS
					TOTAL
					GOVERNMENTAL
					ACTIVITIES
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR	OPERATING	CAPITAL	
		SERVICES	GRANTS AND	GRANTS AND	
			CONTRIBUTIONS	CONTRIBUTIONS	
<u>PRIMARY GOVERNMENT</u>					
<u>GOVERNMENTAL ACTIVITIES</u>					
Legislative	\$ 18,683	\$ 0	\$ 0	\$ 0	\$ (18,683)
General Government	100,902	13,808	0	0	(87,094)
Public Safety	24,474	0	0	0	(24,474)
Public Works	39,623	0	0	0	(39,623)
Community and Economic Development	9,025	0	0	0	(9,025)
Other Functions	16,830	0	0	0	(16,830)
Total Governmental Activities	\$ 209,537	\$ 13,808	\$ 0	\$ 0	(195,729)
<u>GENERAL REVENUES</u>					
Taxes					51,754
State Grants					104,529
Interest Earnings					15,906
Contributions from Local Units					40,779
Other					12,471
Total General Revenues					225,439
Change in Net Assets					29,710
<u>NET ASSETS</u> - Beginning of Year					833,391
<u>NET ASSETS</u> - End of Year					\$ 863,101

The accompanying notes are an integral part of the financial statements.

CEDAR CREEK TOWNSHIP, WEXFORD COUNTY

MANTON, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

MARCH 31, 2008

	GENERAL FUND	LANDFILL IMPACT FEE FUND	TOTALS
<u>ASSETS</u>			
Cash	\$ 373,111	\$ 155,601	\$ 528,712
Taxes Receivable	5,707	0	5,707
Due from Other Governments	29,203	17,467	46,670
Due from Other Funds	928	0	928
Total Assets	<u>\$ 408,949</u>	<u>\$ 173,068</u>	<u>\$ 582,017</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 1,358	\$ 0	\$ 1,358
Payroll Taxes and Withholdings	1,109	0	1,109
Total Liabilities	<u>2,467</u>	<u>0</u>	<u>2,467</u>
 <u>FUND BALANCE</u>			
Reserved			
Telecommunications Right of Way	1,564	0	1,564
Public Health, Safety, and Welfare	0	173,068	173,068
Cemetery Perpetual Care	2,298	0	2,298
Unreserved			
Designated for:			
Budget Stabilization	230,000	0	230,000
Roads	41,875	0	41,875
Fire Department	28,000	0	28,000
Building Improvements	12,700	0	12,700
Cemetery	16,000	0	16,000
Undesignated	74,045	0	74,045
Total Fund Balance	<u>406,482</u>	<u>173,068</u>	<u>579,550</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 408,949</u>	 <u>\$ 173,068</u>	 <u>\$ 582,017</u>

The accompanying notes are an integral part of the financial statements.

CEDAR CREEK TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
MARCH 31, 2008

Total Fund Balances for Governmental Funds	\$ 579,550
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Amounts Reported for Governmental Activities in the  
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the funds.

Buildings	\$ 40,000	
Public Domain Infrastructure	11,522	
Equipment	51,421	
Vehicles	384,809	
Accumulated Depreciation	(204,201)	283,551

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 863,101

The accompanying notes are an integral part of the financial statements.

CEDAR CREEK TOWNSHIP, WEXFORD COUNTY

MANTON, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2008

	GENERAL FUND	IMPACT FEE FUND	TOTALS
<u>REVENUES</u>			
Taxes	\$ 51,754	\$ 0	\$ 51,754
Licenses and Permits	3,384	0	3,384
State Grants	104,529	0	104,529
Contributions from Local Units	0	40,779	40,779
Charges for Services	10,149	0	10,149
Interest and Rents	10,376	5,805	16,181
Other Revenues	12,471	0	12,471
Total Revenues	192,663	46,584	239,247
<u>EXPENDITURES</u>			
Legislative	18,683	0	18,683
General Government	99,342	0	99,342
Public Safety	23,898	0	23,898
Community and Economic Development	9,025	0	9,025
Other Functions	16,830	0	16,830
Total Expenditures	167,778	0	167,778
Excess (Deficiency) of Revenues Over Expenditures	24,885	46,584	71,469
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	11,875	0	11,875
Transfers Out	0	(11,875)	(11,875)
Total Other Financing Sources (Uses)	11,875	(11,875)	0
Net Change in Fund Balance	36,760	34,709	71,469
<u>FUND BALANCE</u> - Beginning of Year	369,722	138,359	508,081
<u>FUND BALANCE</u> - End of Year	\$ 406,482	\$ 173,068	\$ 579,550

The accompanying notes are an integral part of the financial statements.



CEDAR CREEK TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
MARCH 31, 2008

Net Change in Fund Balance - Total Governmental Funds	\$ 71,469
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlay as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	<u>(41,759)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 29,710</u></u>

The accompanying notes are an integral part of the financial statements.

CEDAR CREEK TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS  
MARCH 31, 2008

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$ 1,112
	<hr/>
<u>LIABILITIES</u>	
Due to General Fund	\$ 928
Due to Other Governments	184
Total Liabilities	<hr/> \$ 1,112 <hr/>

The accompanying notes are an integral part of the financial statements.

CEDAR CREEK TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Cedar Creek Township is a general law township located in Wexford County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

**B. Government-wide and Fund Financial Statements**

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

CEDAR CREEK TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Cedar Creek Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Landfill Impact Fee Fund* accounts for revenue sources that are legally restricted to expenditure for public health, safety and welfare.

CEDAR CREEK TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

Additionally, Cedar Creek Township reports the following fund types:

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

#### **D. Assets, Liabilities and Equity**

##### ***1. Deposits and Investments***

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of twelve months or less from date of acquisition.

I. The Township authorizes the Township Treasurer to invest funds as follows:

- a. In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (II.).
- c. In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. In repurchase agreements consisting of instruments listed in subdivision (a).

CEDAR CREEK TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

- e. In bankers' acceptances of United States banks.
  - f. In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
  - g. In mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.
  - h. In obligations described in subdivisions (a) through (g) if purchased through an Interlocal Agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
  - i. In investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.111 to 129.118.
- II. A public corporation that invests its funds under subsection (I) shall not deposit or invest the funds in a financial institution that is not eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
- III. Assets acceptable for pledging to secure deposits of public funds are limited to assets authorized for direct investment under subsection (I).
- IV. As used in this section "financial institution" means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.

**2. *Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

CEDAR CREEK TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

The 2007 taxable valuation of Cedar Creek Township totaled \$41,471,087, on which ad valorem taxes levied consisted of 0.8377 mills for Cedar Creek Township operating purposes. The levy raised approximately \$34,714 for operating purposes.

**3. *Inventories and Prepaid Items***

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**4. *Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Land improvements	20
Building improvements	20
Public Domain infrastructure	20
Vehicles	10
Equipment	5-10

Cedar Creek Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning April 1, 2004, in accordance with the Township's capitalization policy.

CEDAR CREEK TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**5. *Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**6. *Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**7. *Use of Estimates***

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. *Budgetary Information***

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 20, 2007, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.



CEDAR CREEK TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

*Investment rate risk.* The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

*Foreign currency risk.* The Township is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

*Concentration of credit risk.* The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2008, of the Township's bank balance of \$529,928, \$228,715 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

CEDAR CREEK TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**B. Receivables**

Receivables as of year end for the government's individual major funds in aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	Landfill Impact Fee	Total
Receivables			
Taxes	\$ 5,707	\$ 0	\$ 5,707
Due from Other Government	29,203	17,467	46,670
	<u>\$ 34,910</u>	<u>\$ 17,467</u>	<u>\$ 52,377</u>

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

**C. Capital Assets**

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, being depreciated				
Buildings	\$ 40,000	\$ 0	\$ 0	\$ 40,000
Public Domain Infrastructure	11,522	0	0	11,522
Equipment	51,421	0	0	51,421
Vehicles	384,809	0	0	384,809
Total capital assets, being depreciated	<u>487,752</u>	<u>0</u>	<u>0</u>	<u>487,752</u>
Less accumulated depreciation for:				
Buildings	23,503	760	0	24,263
Public Domain Infrastructure	816	576	0	1,392
Equipment	24,410	4,142	0	28,552
Vehicles	113,713	36,281	0	149,994
Total accumulated depreciation	<u>162,442</u>	<u>41,759</u>	<u>0</u>	<u>204,201</u>
Governmental activities capital assets, net	<u>\$ 325,310</u>	<u>\$ (41,759)</u>	<u>\$ 0</u>	<u>\$ 283,551</u>

CEDAR CREEK TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 1,560
Public Safety	576
Public Works	<u>39,623</u>
	<u>\$ 41,759</u>

Construction Commitments:

In January 2008, the Township approved spending up to \$47,000 on roads in the near future. At March 31, 2008, no contract had been entered into, but it was expected that the work would be performed in the 2008-2009 fiscal year.

**D. Interfund Receivables, Payables and Transfers**

Individual fund interfund receivable and payable balances at March 31, 2008, were:

<u>Fund</u>	INTERFUND RECEIVABLES DUE FROM'S	INTERFUND PAYABLES DUE TO'S
General Fund	\$ 928	\$ 0
Fiduciary Funds		
Current Tax Collection Fund	<u>0</u>	<u>928</u>
	<u>\$ 928</u>	<u>\$ 928</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

Interfund Transfers as of March 31, 2008 were:

<u>Primary Government</u>	TRANSFERS IN	OUT
General Fund	\$ 11,875	\$ 0
Impact Fee	<u>0</u>	<u>11,875</u>
	<u>\$ 11,875</u>	<u>\$ 11,875</u>

CEDAR CREEK TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

Transfers are used (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The transfers were used to pay for the Township clean-up day and Fire Department equipment. Both items are allowable uses of landfill impact fees.

**E. Long-Term Debt**

At March 31, 2008, the Township was not obligated for any long-term debt.

**F. Fund Balance Reserves and Designations**

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances/retained earnings in various funds. In addition, certain portions of unreserved fund balances/retained earnings have been designated for intended future uses.

**IV. OTHER INFORMATION**

**A. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

**B. Due from Other Governments**

Amounts due from other governments consists of \$24,093 in state-shared revenues, \$2,165 of property tax administration fees, \$2,945 of summer tax collection fees, and \$17,467 in Wexford County impact fees.

CEDAR CREEK TOWNSHIP, WEXFORD COUNTY  
MANTON, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED MARCH 31, 2008

	GENERAL FUND			IMPACT FEE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<b><u>REVENUES</u></b>						
Taxes	\$ 43,600	\$ 43,600	\$ 51,754	\$ 0	\$ 0	\$ 0
Licenses and Permits	6,000	6,000	3,384	0	0	0
State Grants	105,100	105,100	104,529	0	0	0
Contributions from Local Units	0	0	0	39,877	39,877	40,779
Charges for Services	9,500	9,500	10,149	0	0	0
Interest and Rents	5,800	5,800	10,376	3,700	3,700	5,805
Other Revenues	5,900	5,900	12,471	0	0	0
Total Revenues	175,900	175,900	192,663	43,577	43,577	46,584
<b><u>EXPENDITURES</u></b>						
Legislative						
Township Board	23,475	23,475	18,683	0	0	0
General Government						
Supervisor	11,400	11,400	10,549	0	0	0
Assessor	14,700	16,200	15,202	0	0	0
Elections	1,650	4,550	3,257	0	0	0
Clerk	18,200	20,900	20,180	0	0	0
Board of Review	700	700	596	0	0	0
Treasurer	28,450	28,450	27,382	0	0	0
Building and Grounds	9,475	6,975	5,925	0	0	0
Building Inspection	5,500	5,500	2,956	0	0	0
Cemetery	14,350	16,150	13,295	0	0	0
Public Safety						
Fire Department	30,250	26,450	23,096	0	0	0
Ordinance Enforcement	1,500	1,500	802	0	0	0
Community and Economic Development						
Planning and Zoning	11,150	9,350	9,025	0	0	0
Other Functions	21,100	21,100	16,830	0	0	0
Total Expenditures	191,900	192,700	167,778	0	0	0
Excess (Deficiency) of Revenues Over Expenditures	(16,000)	(16,800)	24,885	43,577	43,577	46,584
<b><u>OTHER FINANCING SOURCES (USES)</u></b>						
Transfers In	16,000	16,000	11,875	0	0	0
Transfers Out	0	0	0	(17,000)	(17,000)	(11,875)
Total Other Financing Sources (Uses)	16,000	16,000	11,875	(17,000)	(17,000)	(11,875)
Net Change in Fund Balance	0	(800)	36,760	26,577	26,577	34,709
<b><u>FUND BALANCE</u></b> - Beginning of Year	328,578	328,578	369,722	118,316	118,316	138,359
<b><u>FUND BALANCE</u></b> - End of Year	\$ 328,578	\$ 327,778	\$ 406,482	\$ 144,893	\$ 144,893	\$ 173,068



# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

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June 13, 2008

To the Township Board  
Cedar Creek Township  
Wexford County  
Manton, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cedar Creek Township, Wexford County, Manton, Michigan as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Cedar Creek Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

## 1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

## 2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the deficiency described in (1) above (Lack of Segregation of Duties) is a material weakness.



This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
www.bcbcpa.com

June 13, 2008

To the Township Board  
Cedar Creek Township  
Wexford County  
Manton, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cedar Creek Township for the year ended March 31, 2008, and have issued our report thereon dated June 13, 2008. Professional standards require that we provide you with the following information related to our audit.

### Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 10, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Cedar Creek Township are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-08. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. No material misstatements were noted. We did propose several adjusting journal entries that were accepted and recorded by management.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 13, 2008.

### *Other Audit Findings or Issues*

During the course of our audit of the basic financial statements of Cedar Creek Township for the year ended March 31, 2008, we noted the following list of items which we feel deserve comment:

#### Property Tax Administration Fee

The Township is charging a property tax administration fee. The Township has determined that authorized costs of tax collection will be repeatedly in excess of revenue generated by the administration fee but has not formally taken action to write off this loss. We recommend that the Township keep subsidiary records which reflect property tax administration fee collections and costs and that the Board pass a motion to write off the loss annually.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*